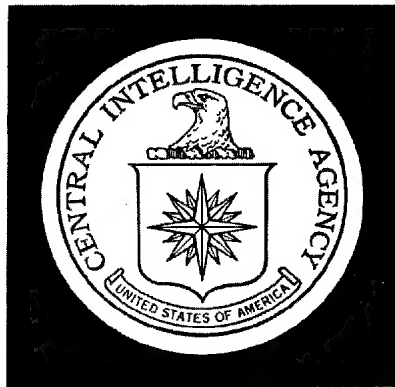


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DIRECTORATE OF
INTELLIGENCE

Intelligence Report

Weekly Report

Prepared Exclusively for the

Senior Interdepartmental Group

Secret

11 December 1967
No. 0440/67

Secret

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1. USSR - MIDDLE EAST OIL

Although Soviet participation in the development of petroleum resources in the Middle East does not constitute a direct threat to US oil interests, it may encourage Arab oil producing countries to be more intransigent in their dealings with the oil companies. At the same time, the threat of Soviet participation may have the effect of spurring the oil companies to settle their differences with the Arab countries.

Soviet activity in the Middle East petroleum industry has been limited essentially to exploration. So far Moscow is operating only in Egypt, Syria, Algeria, and in the Iranian territory of the Caspian Sea, but is interested in providing similar assistance to Iraq and Jordan. Entry into the production phase would require significant change in Soviet policy. The USSR presently does not provide risk capital in foreign oil ventures and requires a guarantee of payment for its work whether or not oil is found. In contrast, Western oil companies that search for oil are repaid for their expenses only if oil is found.

There is no evidence that Moscow will depart from its current practice in the near future. The USSR has sought capital investment from Eastern Europe to expand its own oil industry and thus is unlikely to divert capital to foreign oil activities. Countries which are not now major producers--such as Egypt and Syria--lack capital, and funds for oil development activities have to come from outside sources.

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2. GHANA

The ruling National Liberation Council (NLC) is meeting increased difficulties as it grapples with the economic and political muddle left by Nkrumah.

The conservative, pro-Western military/police junta, in power for almost two years, is confronted with major decisions on restoration of civilian rule, mounting criticism of its economic policies, and restive politicians.

Junta members appear unsure of how to proceed, and increased frictions have developed among them. A consensus is lacking on the timing and method for restoring civilian government, and disagreement has also arisen over the issue of disenfranchising former officials of Nkrumah's party. Several political groups, anticipating that the ban on political activity will soon be lifted, have stepped up their criticism of the NLC's slow progress.

In addition to public discontent over economic austerity, the NLC is confronted with widespread criticism of its economic policy of encouraging private foreign investment. Much of the criticism has taken on strong anti-US overtones. Many literate Ghanaians believe that the terms of an agreement negotiated with a US pharmaceutical firm are a "sell-out" to US commercial interests. The US firm is now planning to withdraw from the agreement.

Assertions are being made increasingly that the junta's reliance on US aid and advice will result in undue US influence. NLC members are concerned that the general furor will endanger Ghana's overall economic stabilization program.

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